



RECOVERY.GOV

The Recovery Act increased the capacity of USDA Rural Development to meet the needs of 4,000 more households in rural Tennessee during the severe economic downturn.

Home Loan Guarantees Quick Reference Guide



Benefits

For Borrowers

- No PMI or MIP
- Term - 30 years
- Closing costs may be included in loan (no discount points)
- Appraised values can be exceeded by amount of guarantee fee - up to 103.5% LTV

For Lenders

- Streamlined credit documentation with FICO score of 640 or higher in most cases
- Greater liquidity
- Only 100% LTV guarantee currently available

Loan Purposes

- Buy existing home
- Buy land to build new home
- Buy a new manufactured home
- Pay closing costs
- Pay pre-paid insurance
- Pay necessary repairs
- Refinance existing Rural Development guaranteed or direct loan

Existing Home Requirements

- Satisfactory appraisal
- Well test
- Termite letter
- Must be certified to meet HUD handbooks 4905.1 and 4150.2

New Home Requirements

- Satisfactory appraisal
- Thermal certification
- Plan certification
- One year warranty on footings, framing and final inspection or 10 year warranty on final inspection
- Termite treatment certificate
- Well test
- Septic system certification

Eligibility

- First time homebuyer not a requirement.
- Income must be within limits
- Income must be dependable
- Adequate ability to repay the loan
- Acceptable credit history
- Cannot obtain conventional financing
- Citizen or permanent legal resident
- Owner must occupy
- Legal capacity to incur debt
- Bankruptcy OK if discharged for 36 months

Income

- All household income counted
- Overtime, bonuses and commissions count, if supported by history
- Child support counts with 12 month history
- Self-employment (use IRS net income) 2 year history plus current info needed
- Same job or line of work for past 24 months
- Degree or certification can substitute for job time
- Verifiable wages, social security, public assistance, etc.
- Debts with 6 months or more owed will be counted

Income Deductions

- \$480 annually for each child under 18
- Over 18 may count if full time student living at home
- Actual child care expenses for children under 12 if parents work or are in school
- \$400 annually for applicant or co-applicant if handicapped or elderly
- Medical deductions may be considered for handicapped or elderly applicants

Location

- Property must be located in eligible rural areas
- Land value cannot exceed 30% of total value



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Our Goal is to use home loan guarantees to increase the capacity of private lenders to help individuals and families in rural Tennessee achieve the dream of home ownership.

Terms

- Term - 30 years
- 29% PITI, 41% TD ratios (waivers allowed)
- Low guarantee fee of 3.5%
- Low refinance fee 1%
- CAVIRS number(s) required

Underwriting Software

- Desktop underwriting system for loan approval
- Free to lenders and bankers
- Reduces documentation requirements

Tennessee Contact

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USDA Rural Development is an equal opportunity Lender, Provider, and Employer.
Complaints of discrimination should be sent to USDA Director, OCR, Washington, DC 20250-9410 or call 800.795.3272

Additional Resources

Home Loan Guarantee:

Links to all information and forms needed to request an RD loan guarantee in Tennessee.
www.rurdev.usda.gov/TN-lenders-SFHG.html

Property & Income Eligibility:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

FHA Appraisers Roster:

Using these appraisers may reduce the number of inspections required for guarantee approval.
<https://entp.hud.gov/idapp/html/apprlook.cfm>

ASC Appraisal Roster:

Appraisers used must be on this list.
www.asc.gov/content/category1/standardSearches.aspx?queryType=6

Federal Excluded Parties Listing:

A list of people who have been debarred from doing business with the Federal Government.
www.epls.gov

Fannie Mae:

Current interest rates.
www.efanniemae.com/sf/refmaterials/hry/index.jsp

THDA:

Tennessee Housing Development Agency Educational and downpayment assistance available to qualified homebuyers.
<http://state.tn.us/thda/Programs/Mortgage/mortcvr.html>

For Additional Training:

<https://usdalinc.sc.egov.usda.gov/USDALincTraningResourceLib.do>

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